#### POSTAL RATE COMMISSION

In the Matter of:

RATE AND SERVICE CHANGES

TO IMPLEMENT FUNCTIONALLY
EQUIVALENT NEGOTIATED
SERVICE AGREEMENT WITH
DISCOVER FINANCIAL
SERVICES

)

Room 300 Postal Rate Commission 1333 H Street, N.W. Washington, D.C.

Volume 1 Thursday, July 15, 2004

The above-entitled matter came on for hearing pursuant to notice, at 11:02 a.m.

#### BEFORE:

HON. GEORGE A. OMAS, CHAIRMAN HON. TONY A. HAMMOND, VICE CHAIRMAN HON. RUTH Y. GOLDWAY, COMMISSIONER HON. DANA B. COVINGTON, COMMISSIONER

### APPEARANCES:

#### On behalf of the United States Postal Service:

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APPEARANCES: (cont'd.)

## On behalf of the Office of the Consumer Advocate:

EMMETT RAND COSTICH, Esquire SHELLEY DREIFUSS, Esquire Postal Rate Commission Office of Consumer Advocate 1333 H Street, N.W. Washington, D.C. (202) 789-6833

### On behalf of Discover Financial Services, Inc.:

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# On behalf of J.P. Morgan Chase & Company and Alliance of Nonprofit Mailers:

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#### On Behalf of American Bankers Association:

IRVING D. WARDEN
American Bankers Association
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## On behalf of the American Postal Workers Union, AFL-CIO:

PHILLIP A. TABBITA, Esquire 1300 L Street, N.W., Suite 1200 Washington, D.C. 20005 (202) 842-4273 APPEARANCES: (Cont'd.)

## On behalf of Val-Pak Direct Marketing Systems, Inc. and Val-Pak Dealers Association, Inc.:

WILLIAM J. OLSON, Esquire William J. Olson, P.C. 8180 Greensboro Drive, Suite 1070 McLean, Virginia 22102-3860 (703) 356-5070

## On behalf of Magazine Publishers of America:

JAMES PIERCE MYERS, Esquire 1211 Connecticut Avenue, N.W., Suite 610 Washington, D.C. 20036 (202) 331-8315

# On behalf of National Association of Postmasters of the United States:

(No Appearance.)

## On behalf of National Newspaper Association:

(No Appearance.)

#### On behalf of Newspaper Association of America:

(No Appearance.)

## On behalf of David D. Popkin:

(No Appearance.)

1	PROCEEDINGS
2	(11:02 a.m.)
3	CHAIRMAN OMAS: Good morning. Today we have
4	scheduled prehearing conferences in two cases. Both
5	cases involve requests to implement negotiated service
6	agreements that are offered as functionally equivalent
7	to the negotiated service agreement between the Postal
8	Service and Capital One Services, Inc. that this
9	Commission approved slightly more than a year ago.
10	At this time, we will discuss issues
11	involved in consideration of Docket No. MC2004-4. The
12	Postal Service and Discovery Financial Services, Inc.
13	are joint proponents of the negotiated service
14	agreement that forms the basis for this case.
15	I am George Omas, Chairman of the
16	Commission. I will serve as presiding officer of this
17	case. With me this morning is Vice Chairman Tony
18	Hammond, Commissioner Dana Covington and Commissioner
19	Ruth Goldway.
20	The Postal Service and Discover have
21	proposed that they be authorized to establish unique
22	reciprocal rate and fee provisions. In general, under
23	this agreement the Postal Service at certain levels of
24	volume would provide Discover electronic address
25	correction without fee for solicitations sent by first

1	class mail that are undeliverable as addressed and
2	cannot be forwarded under existing regulation.
3	If the foregoing conditions are met,
4	Discover would be eligible for per piece discounts on
5	those portions of its first class mail volume that
6	exceeds specified volume thresholds.
7	This is the first that subpart (L) of the
8	Commission's Rules of Practice and Procedures are
9	being applied. Hopefully these new rules will
10	facilitate the review of proposed negotiated service
11	agreements.
12	In any event, the Commission will be
13	understanding of participants' efforts to become
1.4	familiar with these rules and will allow some leeway
15	if it appears that participants need time to adjust to
16	new standards or requirements.
17	In line with this, yesterday I issued a
18	presiding officer's information request. Some of the
19	information I have asked for should perhaps have been
20	incorporated with the initial request. However, I
21	view its absence as a result of this need to address
22	new filing requirements.
23	Finally, the Commission would like
24	participants to feel free to comment at the conclusion

of this proceeding on how these rules have operated

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- and how they might be improved in the future.
- 2 The reporter in this case is Heritage
- 3 Reporting Corporation. There are forms for noting
- 4 appearance available on the table as you enter the
- 5 hearing room. If you wish to purchase transcripts,
- 6 you should see the reporter after today's conference
- 7 or call (202) 628-4888.
- At this point, I would like to ask counsel
- 9 to identify themselves for the record. United States
- 10 Postal Service?
- 11 MR. REIMER: Brian Reimer for the United
- 12 States Postal Service, and with me at the table is Nan
- 13 McKenzie.
- 14 CHAIRMAN OMAS: Discover Financial Services,
- 15 Inc.
- 16 MR. BRINKMANN: Bob Brinkmann for Discover.
- 17 CHAIRMAN OMAS: Alliance of Nonprofit
- 18 Mailers?
- 19 MR. LEVY: David Levy, and with me is Joy
- Leong.
- 21 CHAIRMAN OMAS: American Bankers
- 22 Association?
- 23 MR. WARDEN: Irving Warden for the American
- 24 Bankers Association.
- 25 CHAIRMAN OMAS: Thank you.

1	American Postal Workers Union, AFL-CIO?
2	MR. TABBITA: Phillip Tabbita for the
3	American Postal Workers Union.
4	CHAIRMAN OMAS: J.P. Morgan Chase & Company?
5	MR. LEVY: David Levy and Joy Leong.
6	CHAIRMAN OMAS: Magazine Publishers of
7	America?
8	MR. MYERS: Pierce Myers.
9	CHAIRMAN OMAS: National Association of
10	Postmasters of the United States?
11	(No response.)
12	CHAIRMAN OMAS: National Newspaper
13	Association?
14	(No response.)
15	CHAIRMAN OMAS: Newspaper Association of
16	America?
17	(No response.)
18	CHAIRMAN OMAS: Newspaper Association of
19	America?
20	(No response.)
21	CHAIRMAN OMAS: Office of the Consumer
22	Advocate?
23	MR. COSTICH: Thank you, Mr. Chairman. Rand
24	Costich for the OCA, and with me is Shelley Dreifuss,
25	Director of the office.

1	CHAIRMAN OMAS: David D. Popkin.
2	(No response.)
3	CHAIRMAN OMAS: Val-Pak Dealers Association,
4	Inc.?
5	MR. OLSON: Mr. Chairman, William Olson
6	representing Val-Pak Dealers Association and Val-Pak
7	Direct.
8	CHAIRMAN OMAS: Marketing Systems, Inc.
9	Thank you.
L 0	The intervention of the National Association
L 1.	of Postmasters of the United States was received one
12	day late. That intervention is accepted.
13	The National Newspaper Association filed a
14	motion for acceptance of late intervention. That
15	motion is granted.
16	Is there anyone else here I have missed?
17	(No response.)
18	CHAIRMAN OMAS: Along with its request in
19	this case, the Postal Service asked that settlement
20	procedures be established, and Commission Order No.
21	1409 appointed Postal Service counsel to serve as
22	settlement coordinator.
23	Mr. Reimer, would you please report on the
24	progress of this settlement?
25	MR. REIMER: Thank you, Mr. Chairman. The

- 1 Postal Service presided at a settlement conference
- 2 yesterday at which the Postal Service and Discover,
- the co-proponents of the agreement, were present, as
- 4 were the Office of the Consumer Advocate and
- 5 Intervenors J.P. Morgan, APWU, Val-Pak, ABA and the
- 6 Alliance of Nonprofit Mailers.
- The discussion concentrated on the core
- 8 procedural issues that arise in this case. Number
- one, functional equivalency and the appropriateness of
- 10 proceeding under Rule 196 of the Commission's Rules of
- 11 Practice; No. 2, the Postal Service's proposal for
- 12 limitation of issues; No. 3, the need for a hearing in
- this case; and, No. 4, the timing for discovery. We
- made progress on a number of these issues, which we
- 15 hope will expedite this case.
- 16 Turning to the first issue, functional
- 17 equivalency, none of the participants at the
- 18 conference yesterday stated that they opposed this
- 19 case being treated as functionally equivalent to
- 20 Capital One, although one party indicated it had not
- as of yesterday made a decision on this issue.
- 22 As this is the first proceeding which the
- proponents are proffering an NSA as functionally
- 24 equivalent to a baseline, there was some discussion
- about what the effect of such a ruling would be.

1	The participants agreed that our
2	understanding is that there still would be an
3	opportunity to conduct discovery, have evidence
4	introduced into the record and fully brief the issues
5	that will be decided in this case.
6	The Postal Service submits that this NSA is
7	functionally equivalent to the Capital One NSA and
8	requests the Commission to make a determination on
9	that issue promptly, and we are ready to address that
10	issue today if need be.
11	The second issue concerning the Postal
12	Service's proposal for limitation of issues. We
13	discussed that proposal, which was filed pursuant to
14	Rule 196(a)(6). It seeks to limit litigation of the
15	issues of the financial impact of the Discover NSA on
16	the Postal Service, as well as the fairness and equity
17	of the NSA in regard to other users of the mail and
18	the fairness and equity of the NSA in regard to
19	competitors of Discover.
20	One of the parties present yesterday
21	expressed concern that the proposal might limit
22	litigation of the issue about whether there should be
23	a cap in the case or the nature of the cap, and the
24	participants all agreed that that would not be limited
25	as it has to do with the financial effects of the NSA.

1	The same party indicated it might oppose all
2	or part of this motion. The Postal Service submits
3	that the motion should be granted, and it is prepared
4	today to address its proposal for limitation of issue.
5	The third point, the need for a hearing.
6	While no party has requested a hearing at this point,
7	two of the participants yesterday indicated that they
8	might need additional time to decide whether they
9	wished to request a hearing.
L 0	We decided to request that the Commission
.1	give the parties a week to further explore this issue,
12	and the Postal Service would like to report back to
13	the Commission a week from today on whether the
L 4	participants have reached an agreement on the need for
15	hearing, and that could be part of our first report as
L 6	settlement coordinator a week from today.
L 7	Finally the fourth issue, discovery. The
18	participants agreed to a cutoff date of August 5 for
L 9	the parties to propound discovery on the Postal
20	Service and Discover witnesses. The Postal Service
21	and Discover have also agreed that they would be
22	willing to abide by a timeframe whereby objections are
23	due within seven days and answers are then due at 10
24	days.

That is our report, Mr. Chairman.

25

1	CHAIRMAN OMAS: Thank you.
2	Does any participant here wish to supplement
3	that statement?
4	(No response.)
5	CHAIRMAN OMAS: Order No. 1410 indicated
6	that certain topics would be discussed at this
7	conference. Although the Postal Service touched on
8	some of these issues in its settlement report, I
9	wanted to make sure that the record is clear that the
10	Commission has the input of all interested
11	participants with regard to each of these topics.
12	The first item for discussion is whether or
13	not it is appropriate to consider this case under Rule
14	196. That rule is intended to facilitate requests for
15	negotiated service agreement that are functionally
16	equivalent to existing negotiated service agreements.
17	Functionally equivalent does not mean identical. It
18	does mean similar in important respects, a definition
19	that allows some interpretation.
20	The Commission will examine relevant factors
21	and issue a ruling shortly on whether it is
22	appropriate to proceed under that rule.
23	Is there any participant that believes that
24	the negotiated service agreement between the Postal
25	Service and Discover is not functionally equivalent to

- the negotiated service agreement between the Postal
- 2 Service and Capital One?
- 3 Mr. Olson?
- 4 MR. OLSON: Mr. Chairman, just to have this
- record be somewhat similar to the other record, I'd
- 6 just like to say that for Val-Pak's purposes we do not
- 7 object to the case being treated as a functionally
- 8 equivalent NSA so long as we do have the procedural
- 9 due process rights that the parties agreed mailers
- 10 would have and Intervenors would have as previously
- 11 explained by Postal Service counsel a few moments ago.
- 12 CHAIRMAN OMAS: Thank you.
- The Postal Service also accompanied its
- 14 request with a proposal for limitation of issues. Are
- participants prepared to discuss that proposal for
- 16 limitation of issues at this time?
- 17 MR. REIMER: The Postal Service is prepared
- 18 to discuss that.
- 19 CHAIRMAN OMAS: Thank you, Mr. Reimer.
- MR. BRINKMANN: Yes, Discover is prepared to
- 21 discuss that.
- 22 CHAIRMAN OMAS: Thank you.
- 23 Mr. Reimer? I'll get your name correct
- 24 sooner or later.
- 25 MR. REIMER: Thank you, Mr. Chairman. In

1	the Postal Service's proposal for limitation of
2	issues, we acknowledge the fact, as the Commission has
3	stated in its rules, that the financial impact of a
4	functionally equivalent NSA over the duration of the
5	agreement are in play, and, as I mentioned in the
6	settlement report, we agree that the issues concerning
7	the cap and how the cap is calculated are encompassed.
8	That is the parties' understanding under that.
9	Just as well, the fairness and equity of the
10	NSA in regard to other users of the mail and the
11	fairness and equity of the NSA in regard to
12	competitors of the parties of course are in issue.
13	What the Postal Service also did in its
14	motion is we selected five issues from the <u>Capital One</u>
15	NSA litigation that in our opinion had been decided
16	and in our opinion would not appropriately be
17	relitigated in a proceeding for a functionally
18	equivalent NSA, the first one being the predominantly
19	legal issue of whether NSAs are consistent with the
20	Postal Reorganization Act.
21	The second one being the finding that an
22	open niche classification should not be preferred over
23	an NSA in the general sense. As to that issue, of
24	course in a baseline proceeding the issue of whether
25	something would be better suited to be a niche is an

- open issue, but once there has been an approved
- 2 negotiated service agreement and once the parties have
- 3 negotiated a functionally equivalent NSA in reliance
- 4 on the Commission's rules and regulations, we don't
- 5 believe that that is an issue for this type of a
- 6 proceeding.
- 7 Third, the finding that provisions of
- 8 incentives to high cost mailers to discontinue high
- 9 cost behavior should not in an abstract sense
- 10 disqualify a proposed NSA.
- 11 Fourth, the general appropriateness of
- combining so-called independently usable unrelated
- requirements and, fifth, the utility of declining
- 14 block rates.
- As a sixth matter, we also pointed out the
- 16 appropriateness of the relationship between the core
- 17 elements of the NSA, including the finding that the
- 18 net cost and revenue effect of the elements could
- 19 benefit the Postal Service.
- These are general issues that we believe
- 21 were decided in the <u>Capital One</u> case. Of course,
- issues that are specific to these NSAs, we don't
- 23 believe that our motion seeks to preclude any of
- these. We ask that the Commission, with that in mind,
- grant our proposal.

1	CHAIRMAN OMAS: Thank you, Mr. Reimer.
2	Mr. Brinkmann?
3	MR. BRINKMANN: Mr. Chairman, just a few
4	comments. First, I'd like to express our appreciation
5	with the Chairman's and the Commission's emphasis on
6	expedition. If indeed the negotiated service
7	agreement area is going to work, expedited treatment
8	of the functionally equivalent NSAs is going to be
9	very important.
10	I think all of the parties in this as we go
11	through this should keep in mind that that means
12	trying to minimize transaction costs not only in this
13	one, but in the future, so other interested parties,
14	be they banks or people in other industries, don't
15	have an image that this is an extremely expensive,
16	extremely complicated and extremely long proceeding
17	and, therefore, that they don't want to get involved
18	in that.
19	With that in mind, from the perspective of
20	somebody who has negotiated one of these things, I
21	think two comments are important. In terms of
22	functional equivalency, while there is no debate I
23	think about whether this is a functionally equivalent
24	one, I think the Commission and the Postal Service do
25	want to ensure that when other people come in to

1	negotiate NSAs with the Postal Service and they see
2	DMM language that outlines what the baseline NSA is
3	and they see DMCS language that outlines what the
4	baseline NSA is, if they negotiate an agreement that
5	squarely falls within those parameters it should not
6	be a difficult question as to whether it's a
7	functionally equivalent NSA.
8	It seems to me that precision in that
9	decision should be something the Commission should
10	encourage in the procedure of parties that negotiate
11	NSAs. Now, if they negotiate one that is on the
12	fringes that's an issue to be dealt with.
13	Finally, I think a final point, and that's
14	the area of niche classifications. I represent a
15	client who has spent a considerable amount of time,
16	almost two years, negotiating an agreement with the
17	Postal Service in reasonable reliance on the language
18	of the Commission in the <u>Capital One</u> case and
19	reasonable reliance on the language of the Commission
20	in Order 1391 and the creation of functionally
21	equivalent, rules for functionally equivalent NSAs.
22	It strikes me to even consider the idea that
23	somehow this negotiated agreement should be thrown out
24	at some point and a niche be substituted is not

reasonable. That's not to say that there might not be

25

- an opportunity sometime in the future for a spinoff
- 2 niche or some other sort of niche, but the rules
- 3 clearly contemplate competitors of a baseline
- 4 contractee negotiating a functionally equivalent NSA,
- 5 and we believe that that's what we've done.
- We think that the issue of a niche
- 7 classification should be in place of our functionally
- 8 equivalent agreement and should be precluded from
- 9 litigation.
- 10 Thank you.
- 11 CHAIRMAN OMAS: Thank you, Mr. Brinkmann.
- 12 Mr. Olson?
- MR. OLSON: Thank you, Mr. Chairman. I do
- want to just address this issue of the Postal
- 15 Service's proposal for limitation of issues, which
- 16 basically identifies the six issues Mr. Reimer
- mentioned as having been precluded and then proposes
- that the only issues on the table are I believe
- 19 identical to what is in Rule 196. No other issues,
- 20 just the minimal issues that the Commission
- established in Rule 196, is always up for grabs in a
- 22 functionally equivalent NSA.
- I would like to take just one to comment on
- 24 at the moment since both counsel just discussed this.
- 25 It has to do with the issue of the niche

- 1 classification.
- The representation that's been made by the
- 3 Postal Service to the Commission -- or really not the
- 4 representation, but the proposal says that the
- 5 findings in an open niche classification should not be
- 6 preferred over an NSA in general, that that was
- 7 decided in MC2002-2 and should not be relitigated. To
- 8 repeat that, the finding that an open niche
- 9 classification should not be preferred over an NSA in
- 10 general.
- We actually think that's the reverse of what
- the Commission said in MC2002-2. At paragraph 3039 of
- its opinion there is the following language:
- 14 "However, the Commission's predisposition to prefer
- 15 more inclusive mail classifications..." -- niches
- rather than NSAs -- "...is not a sufficient basis for
- canonizing GCA's proposed requirement..." et cetera,
- 18 et cetera.
- In other words, we think that the Commission
- 20 has clearly said that niches are preferable, more
- 21 general opportunities are more preferable, and at
- paragraph 3040 said: "Nevertheless, the Commission
- will continue to allow participants to inquire into
- the feasibility of more inclusive classification
- 25 provisions and to propose more expansive alternatives

- as it has done in this proceeding," and that's the
- language on which we would rely.
- I would also note that there's a footnote
- 4 dropped from the Commission's opinion at that point
- saying that the record in that docket indicated the
- 6 Postal Service did not have the operational capability
- 7 to implement the terms of the NSA with Cap One on a
- 8 system-wide basis as a niche classification at this
- 9 time.
- I would, for example, say, Mr. Chairman,
- 11 that we are going to be propounding discovery seeking
- to determine whether from Mr. Plunkett or others that
- this has changed. Maybe there is a way to do it at
- 14 this time.
- As anticipated in the Cap One case, we think
- this is an issue that is before the Commission and one
- that discovery is permissible on. It may be that if
- we file an interrogatory an objection will be
- 19 forthcoming, and the Commission would have to rule on
- 20 that.
- We do believe that the Cap One case
- 22 anticipates these kinds of questions as totally
- permissible and appropriate and, frankly, we think
- 24 necessary to raise.
- Lastly, I would say, Mr. Chairman, that we

- would just ask for the same opportunity you identified
- in the earlier Bank One docket for us to submit
- 3 something further in writing subsequent to the
- 4 hearing. We would just ask for that same opportunity.
- 5 CHAIRMAN OMAS: We will allow that. Thank
- 6 you.
- 7 Mr. Costich?
- 8 MR. COSTICH: Thank you, Mr. Chairman. Just
- 9 so the record is clear, it is the OCA's understanding
- 10 that issues related to the merger -- there is no
- 11 merger in this case. Strike all of that. Thank you.
- 12 CHAIRMAN OMAS: Thank you, Mr. Costich.
- MR. REIMER: Mr. Chairman, just to make it
- 14 clear to the Commission what the position of the
- 15 Postal Service is in case there is any confusion, we
- 16 read the Commission's recommended decision in the Cap
- 17 One case as concluding that the niche issue can be
- 18 raised in a baseline NSA case, but it is our position
- in this case that it is inappropriate to do so because
- 20 this is a functionally equivalent case and the niche
- issue was addressed in the baseline case.
- 22 CHAIRMAN OMAS: Thank you, Mr Reimer.
- MS. DREIFUSS: Mr. Chairman, may I just
- 24 comment? This is Shelley Dreifuss from the Office of
- the Consumer Advocate. Can I just add my comment on

- 1 the issue of niche classification?
- 2 It really won't have any impact in this
- 3 proceeding. I don't think it is going to go that
- 4 route, but I would like to exhort the Postal Service
- 5 in advance of future baseline NSAs to think seriously
- 6 about coming prepared in future NSAs with not only a
- 7 baseline NSA, and perhaps they may be thinking about
- 8 functionally equivalent NSAs of the future, but also
- 9 come prepared with an alternative classification, a
- niche classification that reflects the lessons that
- were learned and the knowledge gleaned from its
- 12 negotiations with a baseline partner.
- 13 It's just a policy statement. No need for
- 14 you to take any action at this time.
- 15 CHAIRMAN OMAS: Thank you, Ms. Dreifuss. We
- 16 appreciate that.
- MR. BRINKMANN: Mr. Chairman, along those
- 18 lines I think the philosophy and the policy statement
- of whether you should have a niche classification or a
- 20 specific NSA, Discover shouldn't have to spend tens of
- thousands of dollars providing information that's
- 22 relative to whether its agreement should be thrown out
- and a niche substituted. It's just not fair to the
- 24 client.
- 25 CHAIRMAN OMAS: Thank you, Mr. Brinkmann.

1	Is there anyone else?
2	(No response?)
3	CHAIRMAN OMAS: I want Mr. Olson and others
4	to submit written comments on the issue of limitation
5	of issues two weeks from today. Responses are due one
6	week after that.
7	Mr. Reimer?
8	MR. REIMER: Mr. Chairman, we would like to
9	request an opportunity to respond to the comments that
1.0	might be made.
11	CHAIRMAN OMAS: Absolutely.
12	MR. REIMER: Thank you.
13	CHAIRMAN OMAS: Does any participant know at
14	this time that they believe evidentiary hearings will
15	be necessary? Mr. Olson?
16	MR. OLSON: Mr. Chairman, not to be
17	redundant, but I guess I have to be. We hope that the
18	responses to discovery are complete and suitable for
19	introduction of the record and that no hearings would
20	be necessary, although it is certainly conceivable
21	that there will be factual issues that may request it.
22	I would frankly ask the Commission again to
23	defer a decision on a hearing until after the close of
24	discovery when the parties know what the answers are
25	and whether they can prove their cases sufficiently to

- 1 argue it in brief without a hearing.
- We wouldn't want to request a hearing unless
- one was absolutely necessary, but if for some reason
- 4 there's a need to make a protective request we would
- 5 request a hearing to deal with the issues we've
- 6 identified.
- I hope it doesn't come to that, and I do
- 8 expect to get back to counsel for the Postal Service
- 9 before his one week report on where we are on the
- 10 issue of a hearing with additional information so that
- 11 the Commission can be briefed on the movement towards
- 12 settlement.
- 13 CHAIRMAN OMAS: Thank you.
- MR. REIMER: Mr. Chairman?
- 15 CHAIRMAN OMAS: Mr. Reimer?
- MR. REIMER: It's actually Reimer. The
- 17 Germans always pronounce the second vowel.
- 18 CHAIRMAN OMAS: Thank you.
- 19 MR. REIMER: It is the Postal Service's
- 20 position that as a general rule in these cases
- 21 decisions about a hearing should be made earlier than
- 22 the close of discovery, but in this particular case we
- do hope that we can resolve that issue within the next
- 24 week, and we will include what progress we have made
- in our first report.

1	CHAIRMAN OMAS: Thank you, Mr. Reimer.
2	Based on earlier progress reports of the
3	settlement coordinator, I understand that additional
4	discovery is sought by several Intervenors.
5	Does any participant wish to express an
6	additional view on how much additional time should be
7	allowed for discovery directed to co-proponents?
8	(No response.)
9	CHAIRMAN OMAS: Does any participant have
10	any other matters that we should take up this morning?
11	(No response.)
12	CHAIRMAN OMAS: It is my understanding that
13	settlement negotiations will be continuing.
14	Consistent with the progress report on settlement, I
15	would like a written progress report filed one week
16	from today. After that, I would like reports on the
<b>L</b> 7	progress towards settlement submitted to the
18	Commission every two weeks.
19	If there is nothing further, this prehearing
20	conference is adjourned. Thank you.
21	(Whereupon, at 11:30 a.m. the hearing in the
22	above-entitled matter was concluded.)
23	//
24	//
25	//

#### REPORTER'S CERTIFICATE

DOCKET NO.: MC2004-4

CASE TITLE: Rate and Service Changes

Discover Financial Services

HEARING DATE: July 15, 2004

LOCATION: Washington, D.C.

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the Postal Rate Commission.

Date: July 15, 2004

Mason Edwards

Official Reporter

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